

## Message Text

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ACTION EB-03

INFO OCT-01 EUR-10 EA-07 ISO-00 SP-02 AID-05 NSC-07 RSC-01

CIEP-01 TRSE-00 SS-14 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-10 NSAE-00 XMB-01 OPIC-02 LAB-01

SIL-01 L-02 H-01 DRC-01 /074 W  
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R 071645Z OCT 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 7325

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

PASS TREASURY FOR WIDMAN; PASS FRB

1. SUMMARY. ITALIAN POLITICAL CRISIS IS HAVING ADVERSE  
EFFECT ON EXCHANGE MARKET. BOI INTERVENTION LOSSES HAVE  
RISEN AND LIRE HAS DEPRECIATED FURTHER. END SUMMARY.

2. BOI EXCHANGE OPERATIONS OFFICIAL GIROZZI TOLD EMBOFF  
OCTOBER 4 THAT BANK HAD BEEN INTERVENING MODERATELY SINCE  
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MID-SEPTEMBER, ALTHOUGH INTERVENTION MAY HAVE BEEN USED  
TO FINANCE REPAYMENT OF SHORT-TERM COMMERCIAL BANK

FOREIGN LOANS AS HAD BEEN TRUE DURING FIRST HALF OF SEPTEMBER. WITH BEGINNING OF GOVERNMENT CRISIS, INTERVENTION HAD INCREASED ON OCTOBER 3 (HE DID NOT GIVE FIGURE). INTERVENTION REACHED \$85-90 MILLION ON OCTOBER 4, FOLLOWING RESIGNATION OF RUMOR GOVERNMENT NIGHT BEFORE. ON OCTOBER 7, BRICOLANI, HEAD OF FOREIGN EXCHANGE OPERATIONS, SAID THAT INTERVENTION THAT DAY REACHED ABOUT \$50 MILLION.

3. EXCHANGE RATES IN LIRE PER DOLLAR WERE 662.70 ON OCTOBER 3, 663.30 ON OCTOBER 4, AND 664.45 ON OCTOBER 7. LIRE HAS WEAKENED AGAINST ALL CURRENCIES AS EVIDENCED BY BOI WEIGHTED AVERAGE INDEX ON THOSE THREE DAYS OF 18.97 PERCENT, 19.33 PERCENT, AND 19.65 PERCENT.

4. COMMENT. GOVERNMENT CRISIS IS OBVIOUSLY HAVING ADVERSE EFFECT ON EXCHANGE MARKET AND MAY CONTINUE TO DO SO. WHILE TRADE DEFICIT HAS BEEN STEADILY DECLINING THROUGH AUGUST AT LEAST, MAJOR CAUSE OF IMPROVEMENT IN OVERALL BALANCE IN PERIOD JULY-SEPTEMBER SEEMS MAINLY ATTRIBUTABLE TO IMPROVEMENT IN CAPITAL ACCOUNT WHICH IS SUBJECT TO RATHER QUICK TURN-AROUND. BEAUDRY

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## Message Attributes

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